

INDIANA MANUFACTURER COMPRESSES INVENTORY

ABOUT SULLIVAN PALATEK. Sullivan-Palatek, Inc. manufactures and designs a wide range of electric and portable rotary screw air compressors. From its humble beginnings in 1984, the business has grown from an engineering service to become a privately-owned company that manufactures many customized compressor packages and specialized air ends. Sullivan-Palatek is based in Michigan City, Indiana, with around 75 employees.

THE CHALLENGE. Sullivan-Palatek was under immense pressure due to a complicated 2013 federal regulation that required all portable air compressor models to be redesigned to operate with Tier IV final diesel engines in a five-year phase-in period. In addition to being considerably more expensive, the Tier IV engines called for new electronics to monitor emissions and a complete redesign of each compressor package, requiring Sullivan-Palatek to source thousands of new parts on a first-time buy and phase the production in with older models. Facing increasing costs, swelling inventories, unstable engineering designs and numerous obsolete parts, Sullivan-Palatek reached out to Purdue MEP, part of the MEP National Network™. Company leaders recognized that excessive inventory levels were costing the company money. They asked for assistance in reducing active inventory as well as obsolete and slow moving inventory (OSMI), while maintaining customer expectations.

MEP CENTER'S ROLE. Purdue MEP worked closely with Sullivan-Palatek's purchasing and materials departments to uncover root causes driving the excess inventory. The goal was to order more often, in lower quantities, to prevent large amounts of inventory when an order is cancelled or postponed. Sullivan-Palatek concentrated on processes that drive the purchasing department to order parts. Additionally, Purdue MEP highlighted cost reduction efforts by the purchasing department. A tracking spreadsheet kept these efforts and successes visible and gave management a better way to monitor the company's progress.

To assist in continuing process improvements, Purdue MEP held a problem-solving course for Sullivan-Palatek employees from all levels of the organization. The participants learned problem-solving tools and conducted team problem-solving exercises using real scenarios. The increased awareness and sharing of information across departments is helping the company better understand how one department's actions affect other areas of the business. Inventory is down by a significant margin and efforts continue to identify and reduce OSMI.

"We engaged Purdue MEP to meet with our staff and come up with solutions to our bottlenecks. The results have been improved involvement and problem-solving by staff, reduction of our inventory, and an improved cost system from outside suppliers."

-Bruce C. McFee, Chairman & CEO

RESULTS



Saved \$5 million in excess inventory



Reduced inventory by over 20%



Improved involvement and problem-solving by employees



Improved costing system saves several hundred thousand dollars per year

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